

demonstrated for the metropolitan planning areas of Clarksville-Hopkinsville (Christian County), Louisville (Bullitt, Jefferson, and Oldham Counties), Cincinnati-Hamilton (Boone, Campbell, and Kenton Counties), and Huntington-Ashland (Boyd County). The KYTC has shown conformity for these areas as required by June 15, 2005.

A conformity determination is required for the long-range transportation plans from each of these designated maintenance areas prior to the authorization of any federally-funded projects to ensure that air quality will not be adversely affected (i.e., no increase in carbon monoxide, volatile organic compounds (VOCs), nitrogen oxides (NOX), sulfur dioxide (SO₂), or particulate matter (PM)). Currently, all these areas in Kentucky have a conforming long-range plan. The Jefferson County Air Pollution Control District will perform the air quality evaluation of the Jefferson County long-range transportation plan. DAQ evaluates each conformity analysis. USDOT makes the conformity determination. SIP conformity documentation will be incorporated by reference into the STIP as the individual TIP updates are amended into the STIP. (See Appendix A, Exhibit A-4 for air quality conformity letters).

4. Congestion Mitigation and Air Quality Improvement Program

The FY 2007-2010 STIP has been developed in full recognition of Title 23, which establishes a distinct funding source to address Congestion Mitigation and Air Quality (CMAQ) issues. The FHWA and the FTA have set aside funds for CMAQ. The funds are made available for projects within the identified designated air quality areas for the purpose of reducing traffic congestion and improving air quality. In areas included in, or contiguous with a Metropolitan Planning Organization (MPO), applicants submit project requests (CMAQ applications) to the KYTC's Office of Special Programs. The MPOs will receive copies of all applications and have the opportunity to prioritize their requests and submit them to the KYTC's Office of Special Programs. The KYTC and the Kentucky Division for Air Quality (DAQ) work together in cooperation and selects projects to be funded as CMAQ funding is available. The FHWA reviews the projects for an eligibility determination and the KYTC is responsible for the disbursement and management of the CMAQ funds.

5. Fiscal Constraint

In accordance with 23 CFR 450.216(a)(5), the STIP is required to be financially constrained by year, include sufficient financial information to demonstrate which projects are to be implemented using current revenues, and which projects are to be implemented using proposed revenue sources, while the system as a whole is being adequately operated and maintained. The FY 2007-2010 STIP Fiscal Balance Worksheets (Table 1, pages 11, 12, and 13) show anticipated funding levels (existing and projected federal fund apportionments) and compares them against planned outlays (obligations) for each of the next four fiscal years. The FY 2007-2010 STIP federal funding level forecasts are based on SAFETEA-LU, the most recent transportation reauthorization act. SAFETEA-LU was enacted by the United States Congress in 2005 and provided identified levels of funding dedicated to each state through 2009. These state-specific levels of funding were broken down into individual program funding categories as determined by SAFETEA-LU's application to Federal Highway Trust Fund formulas. For the purposes of this edition of the 2006 STIP, the funding levels for FY 2010 were assumed to be equivalent to those for fiscal year 2009, the last year of SAFETEA-LU.

Kentucky's federal highway program will be largely matched with "toll credits" with the only exception being the Appalachian Development (APD) Program. The APD funding requires 20 percent state matching funds, and the use of toll credits is not eligible for providing the required matching funds associated with the APD funding. Toll credits are attributed to Kentucky by federal highway law, in accordance with calculations that consider past levels of state fund investment, such as state-sponsored toll roads, in the federal highway system. Toll credits do not generate cash and cannot be accounted as such; however, they do permit the KYTC the flexibility to use 100% federal funding on federal-aid projects. By doing so, the KYTC can allocate more of its own state funding for state "SP" projects, yielding increased cash management controls.

The federal funding target amounts used to fiscally balance the FY 2007-2010 STIP, based upon projected estimated apportionments of category-by-category federal funding expectations of total federal-aid dollars available during Fiscal Years 2007 through 2010, is anticipated to be approximately \$2.7 billion. Adding the carry-over federal funding from FY 2006, the total revenue expectation that supports projects in this edition of the 2006 STIP is approximately \$2.9 billion. It is possible that the final federal appropriation for any given year may change these estimates slightly, but these changes should not substantially alter the ability of the Cabinet to deliver planned federal-aid highway projects. Thus, end of fiscal year "Fiscal Constraint" recalculations are conducted within each of the STIP funding programs to compare the federal funding obligations to the planned obligations for the current fiscal year, to assure that the federal program is "fiscally-constrained."

It is important to note that Kentucky oftentimes utilizes federal prefinancing provisions in programming federal funding through the FHWA defined as "Advance Construction (AC). The federal prefinancing AC process is defined as "Advance Construction of Federal-aid Projects," whereby the state may request and receive approval to construct federal-aid projects in advance of the apportionment of authorized federal-aid funds. By using the AC funding mechanism, Kentucky has maximized its ability to return federal dollars to the state more quickly, while at the same time accelerating many federal highway projects. Federal AC prefinancing requires that the State Road Fund keep approximately \$30 million on hand to cover the advance state fund outlays in support of the federal program acceleration. Kentucky's prefinancing AC totals range between \$250 million to \$300 million in federally-funded projects, supported by funding from the State Road Fund cash for associated project billings until the federal share of these costs can be billed to the federal government the following federal fiscal year. The Cabinet continually monitors the "net cash balance" of these federal AC prefinanced projects, and these results are included within the month-to-month consideration of this federal program's flexibility in the overall cash flow management procedures of the state and federally-funded programs.

It is also important to note that the KYTC utilizes innovative financing options permitted under federal transportation law. In particular, during the 2004 General Assembly's Legislative Session, House Bill 418 was passed, enabling the KYTC to pursue a specific group of interstate widening projects through an innovative financing technique known as "Grant Anticipation Revenue Vehicles (GARVEEs)." The General Assembly's enactment of House Bill 267 (Appropriations Bill) during the 2005 Legislative Session, provided to the KYTC approval of \$150 million in appropriation authority in Fiscal Year 2004-2005 for GARVEE Bond Funds. In addition, during the 2006 General Assembly's

Legislative Session the General Assembly provided within House Bill 380 approval to the KYTC an additional \$290 million in appropriation of authority in Fiscal Years 2006-2008 for GARVEE Bond Funds. This provided the KYTC \$440 million in appropriation authority for GARVEE Bond Funds. Along with the approval of the \$440 million in appropriation authority, the General Assembly approved the utilization of federal funding appropriation authority to provide debt service payments on the GARVEE Bonds. The GARVEE financing technique is permitted by federal law and involves the commitment of future federal-aid appropriations as leveraging for current year highway improvements. The primary benefit of such an arrangement is that major highway improvements can be purchased at today's prices and paid for with interest over a multi-year timeframe. The application of the GARVEE principle is very similar to home mortgage financing, but is used to purchase major highway investments when "pay-as-you-go" is not the desirable course.

With the passage of the enabling legislation in 2004, the 2005 House Bill 267, and the 2006 House Bill 380 appropriation authority, the KYTC has begun activities for the following major interstate widening projects during the upcoming biennium:

- Interstate 65: The corresponding project phases to widen I-65 to six lanes from the Tennessee state line to Bowling Green (total estimated cost \$178 million) is shown in the list of federally-funded projects, with a Fund Type of JM1, fiscal year schedule, estimated total phase cost, and with \$0 federal portion. The cost of the project construction phases will be paid with GARVEE Bonds. The breakdown of the required IM and NH funding to cover the debt service for the I-65 GARVEE Bond JM1 projects is shown under the ZVARIOUS County Item Numbers 99-9065 series.
- Interstate 75: The corresponding project phases to widen I-75 to six lanes from the end of the current six-lane section in northern Scott County to the current six-lane section south of KY 22 in Grant County (total cost \$135 million) is shown in the list of federally-funded projects, with a Fund Type of JM2, fiscal year schedule, estimated total phase cost, and with \$0 federal portion. The cost of the project construction phases will be paid with GARVEE Bonds. The breakdown of the required IM and NH funding to cover the debt service for the I-75 GARVEE Bond JM2 projects is shown under the ZVARIOUS County Item Numbers 99-9075 series.
- Interstate 64: The corresponding project phases to widen I-64 to six lanes from the Snyder Freeway in Jefferson County to Shelbyville (total cost \$127 million) is shown in the list of federally-funded projects, with a Fund Type of JM3, fiscal year schedule, estimated total phase cost, and with \$0 federal portion. The cost of the project construction phases will be paid with GARVEE Bonds. The breakdown of the required IM and NH funding to cover the debt service for the I-64 GARVEE Bond JM3 projects is shown under the ZVARIOUS County Item Numbers 99-9064 series.

Each of these interstate widening projects constitutes a necessary investment in Kentucky's future. The need to accommodate both people movement and freight movement in each of these highway corridors is critical to Kentucky's economy in the years ahead. Each of these routes currently carries a disproportionately high percentage of truck traffic, and forecasts call for the numbers of trucks in the traffic stream to continue to

increase as NAFTA continues to yield higher and higher volumes of freight from Latin America to Canada. Without the GARVEE Bond Program, these construction sections of widening I-65, I-75, and I-64 within the three designated areas would continue to be piecemealed over time, and likely not completed until the year 2015 to 2020. The innovative idea of GARVEE Bonds, along with determined state leadership, will yield the kind of realistic solution necessary to reverse the “always behind” mentality of the past and help restore hope to Kentucky’s transportation program.

The federal funding for the construction phases identified within the GARVEE Bond Program will be programmed through the FHWA as Advance Construct (AC) projects. Again, as explained previously, the AC process is defined as “Advance Construction of Federal-Aid Projects,” whereby the state may request and receive approval to construct federal-aid projects in advance of the apportionment of authorized federal-aid funds. The AC conversion of the federal funding for the GARVEE Bond Program will be distributed over a period of fourteen years, and will be in accordance with the GARVEE Bond Program Memorandum of Agreement (MOA). At the beginning of each federal fiscal year, federal programming documents for GARVEE Bond projects AC conversions will be submitted to the FHWA to use current IM and NH apportionments and current Formula Funding obligation authority. The total amount of the AC conversions will be the amount of federal funding required to cover the yearly debt service (principal, interest, and other costs incidental to the sale of eligible bond issue) as outlined in the attached projected yearly debt service payments by fiscal year for the GARVEE Bond Program. The required IM (40%) and NH (60%) funding to cover the yearly debt service amount for the GARVEE Bonds will be included in the end-of-year “Fiscal Constraint” determination, and will be included within the preparation of future STIPs and Fiscal Constraint calculations. The debt service funding will be matched with toll credits.

As noted, the list of projects within the 2006 STIP includes federally-funded projects and only the state-funded projects that are regionally significant to meet air quality conformity requirements, including the projects within the MPO areas. The projects located within each of the MPO areas included within the STIP are subject to approval and inclusion within the respective MPO Transportation Improvement Program (TIP) and subsequent amendments for each of these MPO areas. In addition, like the 2006 STIP, in accordance with 23 CFR 450.324(e), the TIP is required to be financially constrained by year and include a financial plan that demonstrates which projects can be implemented using current revenues, and which projects are to be implemented using proposed revenue sources, while the existing transportation system is being adequately operated and maintained. Each of the MPO TIP’s financial plan is developed in cooperation with the KYTC and the transit operators, based upon projected estimates of available federal and state funds within the MPO areas. Based upon the financial plan, the MPO TIP’s contain only project phases that funding can be reasonably expected to be available for each of the project’s identified phase, funding source, fiscal year schedule, and the estimated cost.

TABLE 1

STATEWIDE TRANSPORTATION IMPROVEMENT PROGRAM FISCAL BALANCE SHEET
FY 2007-2010 PLANNED FEDERAL-AID PROGRAM
APPORTIONMENTS VERSUS PLANNED OBLIGATIONS

ESTIMATED APPORTIONMENTS (IN MILLIONS)							
PROGRAM	ESTIMATED 06 CARRYOVER APPORTIONMENTS (SEE NOTE 1)	06 CARRYOVER OBLIGATION AUTHORITY	FY-07 (SEE NOTE 2)	FY-08 (SEE NOTE 2)	FY-09 (SEE NOTE 2)	FY-10 (SEE NOTE 2)	TOTAL STIP \$
I. HIGHWAY FEDERAL FUNDS (Based on TEA-21)							
BRIDGE REPLACEMENT	91	0	65	68	69	69	269
CONGESTION MITIGATION (CM)	12	0	12	12	12	12	48
PLANNING (SPR/PL)	16	0	10	10	10	10	40
INTERSTATE/INTERSTATE MAINTENANCE (IM)	20	0	113	118	119	119	470
NATIONAL HIGHWAYS (NH)	97	0	125	131	132	132	521
SURFACE TRANSPORTATION (Includes Statewide STP, Transportation Enhancement (TD), and Safety (SAF) Programs) (SEE NOTE 3)	227	0	186	198	195	195	773
FEDERAL DEMONSTRATION PROJECTS (STATEWIDE HFP)	124	99	73	88	89	0	350
FEDERAL DISCRETIONARY PROJECTS (KYD)	68	6	14	0	0	0	20
FOREST HIGHWAY/PUBLIC LANDS (FH)	5	4	1	1	1	1	6
APPALACHIAN DEVELOPMENT (APD) (20% State Match Required)	203	93	69	69	69	69	368
SUBTOTALS "HIGHWAY FEDERAL FUNDS"	864	202	667	694	696	607	2,865
II. STATE FUNDS (SP OR BP)							
STATE CONSTRUCTION FUNDS (SP OR BP)	0	0	125	125	80	80	410
STATE MATCHING FUNDS (SEE NOTE 4)	0	0	17	17	17	17	68
HIGHWAY FUNDING TOTALS	864	202	809	836	793	704	3,343
II. FEDERAL TRANSIT/STATE ASSISTANCE							
SECTION 5311 RURAL TRANSPORTATION			7.2	7.2	7.2	7.2	28.8
SECTION 5310 SPECIALIZED PROGRAMS			1.6	1.6	1.6	1.6	6.4
KENTUCKY SECTION 5307			20.0	15.0	15.0	15.0	65.0
PUBLIC TRANSIT CAPITAL DISCRETIONARY			10.0	10.0	8.0	8.0	36.0
SUBTOTALS "TRANSIT FEDERAL FUNDS"			38.8	33.8	31.8	31.8	136.2
SECTION 5311 (STATE FUNDING)			0.0	0.2	0.0	0.0	0.2
SECTION 5311 (LOCAL FUNDING)			7.2	7.2	7.2	7.2	28.8
SECTION 5311 (CONVEY & FAREBOX FUNDING)			40.0	40.0	40.0	40.0	160.0
SECTION 5310 (STATE FUNDING)			0.5	0.5	0.5	0.5	2.0
SECTION 5310 (LOCAL FUNDING)			0.5	0.5	0.5	0.5	2.0
SECTION 5307 (LOCAL FUNDING)			2.5	2.5	0.2	0.2	5.4
PUBLIC TRANSIT CAPITAL DISCRETIONARY (STATE MATCH)			1.4	1.2	1.2	1.2	5.0
PUBLIC TRANSIT CAPITAL DISCRETIONARY (LOCAL MATCH)			1.4	1.2	1.2	1.2	5.0
SUBTOTALS "NON FEDERAL TRANSIT FUNDS"			53.5	53.3	50.8	50.8	208.4
TRANSIT FUNDING TOTALS			92.3	87.1	82.6	82.6	344.6

STATEWIDE TRANSPORTATION IMPROVEMENT PROGRAM FISCAL BALANCE SHEET
FY 2007-2010 PLANNED FEDERAL-AID PROGRAM
APPORTIONMENTS VERSUS PLANNED OBLIGATIONS

TABLE 1

PLANNED OBLIGATIONS (IN MILLIONS)							
PROGRAM	PROJECTED END OF FY 2006 ADVANCE CONSTRUCTION PROJECTS (SEE NOTE 5)	FY-07	FY-08	FY-09	FY-10	PLANNED STIP OBLIGATIONS	RATIO OF OBLIGATIONS TO APPORTIONMENTS
I. HIGHWAY FEDERAL FUNDS							
BRIDGE REPLACEMENT	16	54	72	66	56	249	0.92
CONGESTION MITIGATION (CM)	1	12	12	12	12	49	1.01
PLANNING (SIP/PL)	13	10	10	10	10	40	1.00
INTERSTATE/INTERSTATE MAINTENANCE (IM)	25	156	122	109	106	493	1.05
NATIONAL HIGHWAYS (NH)	65	126	139	132	144	541	1.04
SURFACE TRANSPORTATION (Includes Statewide STP, Transportation Enhancement (TE), and Safety (SAF) Programs)	136	284	259	207	188	938	1.21
DEMO PROJECTS (HFP)	0	73	89	91	0	253	0.72
DISCRETIONARY PROJECTS (RD)	0	10	5	0	0	16	0.76
FOREST HIGHWAY/PUBLIC LANDS (FH)	0	1	1	1	1	2	0.40
APPALACHIAN DEVELOPMENT (APD)	0	61	70	51	79	262	0.71
SUBTOTALS "HIGHWAY FEDERAL FUNDS"	256	787	779	679	597	2,841	0.99
II. STATE FUNDING (BP OR RP)							
NON-EXEMPT STATE FUNDED PROJECTS	0	98	147	56	27	327	0.80
STATE MATCHING FUNDS	0	17	17	17	17	68	1.00
SUBTOTALS "STATE FUNDS"	0	115	164	73	44	395	
HIGHWAY FUNDING OBLIGATION TOTALS	256	902	943	752	640	3,236	0.97
II. FEDERAL TRANSIT/STATE ASSISTANCE							
SECTION 5311 RURAL TRANSPORTATION		7.2	7.2	7.2	7.2	28.8	1.00
SECTION 5310 SPECIALIZED PROGRAMS		1.6	1.6	1.6	1.6	6.4	1.00
KENTUCKY SECTION 5307		20.0	15.0	15.0	15.0	65.0	1.00
PUBLIC TRANSIT CAPITAL DISCRETIONARY		10.0	10.0	8.0	8.0	36.0	1.00
SUBTOTALS "TRANSIT FEDERAL FUNDING OBLIGATIONS"		38.8	33.8	31.8	31.8	136.2	1.00
SECTION 5311 (STATE FUNDING)		0.0	0.2	0.0	0.0	0.2	1.00
SECTION 5311 (LOCAL FUNDING)		7.2	7.2	7.2	7.2	28.8	1.00
SECTION 5311 (CONREV & FAREBOX FUNDING)		40.0	40.0	40.0	40.0	160.0	1.00
SECTION 5310 (STATE FUNDING)		0.5	0.5	0.5	0.5	2.0	1.00
SECTION 5310 (LOCAL FUNDING)		0.5	0.5	0.5	0.5	2.0	1.00
SECTION 5307 (LOCAL FUNDING)		2.5	2.5	0.2	0.2	5.4	0.00
PUBLIC TRANSIT CAPITAL DISCRETIONARY (STATE MATCH)		1.4	1.2	1.2	1.2	5.0	1.00
PUBLIC TRANSIT CAPITAL DISCRETIONARY (LOCAL MATCH)		1.4	1.2	1.2	1.2	5.0	1.00
SUBTOTALS "NON FEDERAL TRANSIT FUNDING OBLIGATIONS"		53.5	53.3	50.8	50.8	208.4	1.00
TRANSIT FUNDING OBLIGATION TOTALS		92.3	87.1	82.6	82.6	344.6	1.00

TABLE 1

STATEWIDE TRANSPORTATION IMPROVEMENT PROGRAM FISCAL BALANCE SHEET
 FY 2007-2010 PLANNED FEDERAL-AID PROGRAM
 APPORTIONMENTS VERSUS PLANNED OBLIGATIONS

NOTES FOR ITEMS WITHIN FY 2007 - 2010 STIP FISCAL BALANCE SHEET

- (1) THE APPORTIONMENT BALANCES SHOWN ARE NOT INDICATIVE OF ACTUAL OBLIGATION AUTHORITY BALANCES. DUE TO FEDERAL LIMITATIONS, THE ACTUAL TOTAL OBLIGATION AUTHORITY BALANCE ENTERING FY 2007 FOR THE FEDERAL "FORMULA FUNDING" WILL BE ZERO.
- (2) FEDERAL FUNDS FOR FY 2007, FY 2008, FY 2009 AND FY 2010 ARE BASED ON SAFETEA-LU'S APPORTIONMENT TABLES AND THE DISCRETIONARY FUNDING IS BASED UPON THE TOTAL DISCRETIONARY FUNDING DIVIDED BY 6 YEARS EQUALS THE FUTURE ANNUAL DISCRETIONARY FUNDING.
- (3) SURFACE TRANSPORTATION PROGRAM BALANCES INCLUDE MINIMUM GUARANTEE AND EQUITY BONUS LIMITATION ADJUSTMENT FUNDING.
- (4) TOLL CREDITS WILL BE USED FOR REQUIRED MATCHING FUNDS FOR FY 2007 THROUGH FY 2010 FUNDING, EXCEPT THE APD DESIGNATED FUNDING WHICH WILL BE MATCHED WITH 20 PERCENT STATE FUNDING. THE USE OF TOLL CREDITS INCREASES THE USE OF FEDERAL FUNDING CONTRIBUTION FROM 80/90 PERCENT TO 100 PERCENT OF PROGRAMMED COST. THUS, REDUCING THE AVAILABLE FEDERAL FUNDING ACCORDING. THE 20 PERCENT STATE MATCHING FUNDS WILL ONLY BE USED APD FUNDING, AND IS REFLECTED AS ESTIMATED APPORTIONMENTS UNDER STATE MATCHING FUNDS.
- (5) IF PLANNED OBLIGATIONS ARE GREATER THAN THE ANNUAL APPORTIONMENTS IN A GIVEN FISCAL YEAR, THE DIFFERENCE WILL BE MANAGED USING THE FEDERAL "ADVANCE CONSTRUCTION" MECHANISM. WHILE THE GOAL OF KYTC IS TO MAINTAIN A YEARLY TOTAL OF LESS THAN \$300 MILLION EACH FISCAL YEAR FOR "ADVANCE CONSTRUCTION". HOWEVER THIS DEPENDS UPON SEVERAL FACTORS INCLUDING THE TIMING OF THE ACTUAL RELEASE OF YEARLY FEDERAL OBLIGATION AUTHORITY AND THE PROGRAMMING OF FEDERAL FUNDED PROJECTS NEAR THE END OF THE FEDERAL FISCAL YEAR.

As evidenced by Table 1, Kentucky's STIP is fiscally-constrained for the next four years. For informational purposes, the STIP also contains several state-funded (SP) projects, Appendix A-5 C and D, which are critical for SIP compliance and conformity determinations. Each of these SP projects will be given priority as future allocations of state highway program dollars are allocated.

The authorization and programming of all state and federal funding for the transportation program will be accommodated through the KYTC's cash flow management program. When the planned obligations exceed estimated apportionments by program category, unobligated previous apportionments will be used, or moneys will be transferred between categories, or flexible funding such as "Minimum Guarantee" will be used to close the program-specific funding gap to the extent that air quality conformity for the region is not jeopardized.

To reiterate, the KYTC's goal is to fund the federal program as outlined in the 2006 Enacted SYP as approved by the 2006 Kentucky General Assembly, unless Congress and the FHWA direct otherwise. The projects listed as presented, in no way constitute an effort to denigrate the importance of any project to the community or region it serves. The KYTC will work diligently to implement all STIP projects as quickly as funding limitations will permit.

Shifting projects between fiscal years of the STIP will be accomplished only when determined essential to the effective use of federal highway program dollars. It is expected that such changes would normally be "minor," for example; advancing a non-controversial project to replace a project not able to meet the assigned schedule, with respect to STIP activity. If such adjustments involve actions determined by the KYTC to be "major" in nature (e.g., acceleration of a controversial project), then a formal STIP amendment would be pursued.

The operation and maintenance of existing transportation facilities within the state is a primary concern among Kentucky citizens, and included within the FY 2007-2010 STIP are federally-funded system preservation projects. In addition to the federally-funded system preservation projects, Table 1 contains a line-item outlining the FY 2007-2010 scheduled state funding for the KYTC's operations and maintenance program.

Included within the MPO TIP's is a financial plan that demonstrates how the TIP can be implemented, identifies funding resources from public and private sources, and identifies innovative financing techniques to finance projects and programs. The development of the projected estimates of funding resources is developed through cooperative efforts of the MPO, the KYTC, and Public Transportation Agencies. Also, included within the financial plan are line-items for projected funding and obligations for operations and maintenance activities for existing facilities. Again, the projected funding resources were prepared through cooperative efforts of the MPO, the KYTC, and Public Transportation Agencies by utilizing expenditures data from the KYTC Fiscal Year Audit Reports for actual operations and maintenance expenditures within the MPO areas. (See Appendix B - Metropolitan Planning Organization (MPO) Financial Plans)